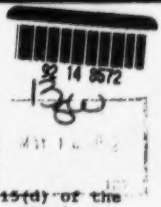

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

0 38300
Q 38450

FORM 10-Q

X Quarterly report pursuant to Section 13 or ~~15(d)~~ of the Securities Exchange Act of 1934: For the quarterly period ended March 31, 1992.

OR

I
92-2246

___ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: For the transition period from _____ to _____.

PROCESSED BY
MAY 15 1992
13/13 MS
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Commission File Number 0-19549

MITEK SURGICAL PRODUCTS, INC.
(Exact name of registrant as specified in ...ter)

L 3Q

| Delaware | 04-2853658 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification number) |
| 57 Providence Highway<br>Norwood, MA | 02062 |
| (Address of principal executive offices) | (Zip code) |

BEST COPY AVAILABLE

(617) 551-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

As of March 13, 1992, there were 4,141,326 shares of common stock, $.01 par value, outstanding.

Page 1 of 13

MITEK SURGICAL PRODUCTS, INC.
FORM 10-Q
TABLE OF CONTENTS


| | | PAGE NO. |
|---|---|---|
| **PART I - FINANCIAL INFORMATION** | | |
| Item 1. | Condensed Consolidated Financial Statements | |
| | Condensed Consolidated Balance Sheet - March 31, 1992 (unaudited) and December 31, 1991 | 3 |
| | Condensed Consolidated Statement of Operations - For the three months ended March 31, 1992 and 1991 (unaudited) | 4 |
| | Condensed Consolidated Statement of Cash Flows - For the three months ended March 31, 1992 and 1991 (unaudited) | 5 |
| | Notes to Condensed Consolidated Financial Statements | 6 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 8 |
| **PART II - OTHER INFORMATION** | | |
| Item 6. | Exhibits and Reports on Form 8-K | 10 |
| **SIGNATURES** | | 11 |
| Index to Exhibits | | 12 |

PART I. - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

MITEK SURGICAL PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

| | March 31, 1992 (unaudited) | December 31, 1991 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,621,455 | $ 5,902,932 |
| Accounts receivable, net | 1,440,730 | 1,466,208 |
| Inventories | 760,586 | 704,116 |
| Prepaid expenses and other current assets | 361,476 | 216,417 |
| Total current assets | 8,186,247 | 8,289,673 |
| Investments in marketable securities | 12,221,282 | 11,344,245 |
| Fixed assets, net | 164,387 | 166,463 |
| Other assets | 231,842 | 237,092 |
| | $20,803,758 | $20,037,473 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 560,413 | $ 602,248 |
| Accrued compensation and employee benefits | 205,142 | 279,446 |
| Accrued professional fees | 52,856 | 110,303 |
| Accrued expenses | 198,475 | 21,117 |
| Income taxes payable | 223,893 | 40,575 |
| Current portion of obligation under capital lease | 4,759 | 7,518 |
| Total current liabilities | $ 1,245,538 | $ 1,061,207 |
| Stockholders' equity: | | |
| Common stock | 41,526 | 41,276 |
| Additional paid-in capital | 20,282,636 | 20,265,651 |
| Accumulated deficit | (708,742) | (1,273,461) |
| Less: Stock subscription receivable | (57,200) | (57,200) |
| | 19,558,220 | (18,976,266) |
| | $20,803,758 | $20,037,473 |

See notes to condensed consolidated financial statements.

MITEK SURGICAL PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

| | For the three months ended March 31, | |
|---|---|---|
| | 1992 | 1991 |
| Revenue | $2,844,054 | $1,695,602 |
| Cost of goods sold | 699,470 | 487,870 |
| Gross profit | 2,144,584 | 1,207,732 |
| Operating expenses: | | |
| Selling, general and administrative | 1,368,506 | 734,725 |
| Research and development | 176,523 | 96,219 |
| Total operating expenses | 1,545,029 | 830,944 |
| Income from operations | 599,555 | 376,788 |
| Other income, net | 231,264 | 8,004 |
| Income before provision for income taxes | 830,819 | 384,792 |
| Provision for income taxes | 266,100 | 31,938 |
| Net income | $ 564,719 | $ 352,854 |
| Net income per share | $ 0.13 | $ 0.11 |
| Weighted average shares outstanding | 4,515,620 | 3,340,732 |

See notes to condensed consolidated financial statements.

MITEK SURGICAL PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

| | For the three months ended March 31, | |
|---|---|---|
| | 1992 | 1991 |
| Cash flows from operating activities: | | |
| Net income | $ 564,719 | $ 352,854 |
| Adjustments to reconcile net income to net cash used for operating activities: | | |
| Depreciation and amortization | 44,479 | 40,936 |
| Decrease (increase) in accounts receivable | 25,478 | (232,610) |
| Decrease (increase) in inventories | (56,470) | 1,647 |
| Increase in prepaid expenses and other current assets | (147,059) | (73,630) |
| Decrease (increase) in accounts payable and accrued expenses, net of non-cash items | 3,772 | (45,206) |
| Increase in income taxes payable | 183,318 | - |
| Net cash provided by operating activities | 618,237 | 43,991 |
| Cash flows used for investing activities: | | |
| Purchase of marketable securities | (877,037) | - |
| Purchase of fixed assets | (37,153) | (15,716) |
| Net cash used for investing activities | (914,190) | (15,716) |
| Cash flows from financing activities: | | |
| Principal payments of obligation under capital leases | (2,759) | (2,082) |
| Proceeds from issuance of common stock | 17,235 | - |
| Proceeds from issuance of preferred stock, net of issuance costs | - | 1,161,970 |
| Net cash provided by financing activities | 14,476 | 1,159,888 |
| Net (decrease) increase in cash and cash equivalents | (281,477) | 1,188,163 |
| Cash and cash equivalents, beginning of period | 5,902,932 | 78,812 |
| Cash and cash equivalents, end of period | $5,621,455 | $1,266,975 |

See notes to condensed consolidated financial statements.

MITEK SURGICAL PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. All accounts of the Company and its wholly owned subsidiary, Mitek Securities Corporation, established in the first quarter of 1992 are represented in the condensed consolidated financial statements. All significant intercompany transactions and balances have been eliminated. The financial statements included herein should be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Per share information is based on the weighted average number of outstanding common shares and common share equivalents during each period; 4,515,620 shares for the three months ended March 31, 1992 and 3,340,732 shares for the three months ended March 31, 1991.

2. Inventories

Inventories consist of the following:

| | March 31, 1992 | December 31, 1991 |
|---|---|---|
| Raw materials | $ 408,249 | $ 291,035 |
| Work-in-process | 74,278 | 200,789 |
| Finished goods | 278,059 | 212,292 |
| | $ 760,586 | $ 704,116 |

3. Changes in stockholders' equity accounts during the three month period ended March 31, 1992 are as follows:

| | Common stock | | |
|---|---|---|---|
| | Par value | Capital in excess of par value | Accumulated deficit |
| Balance at December 31, 1991 | $41,276 | $20,265,651 | $(1,273,461) |
| Sale of common stock stock pursuant to exercise of stock options | 250 | 16,985 | |
| Net income | | | 564,719 |
| Balance at March 31, 1992 | $41,526 | $20,282,636 | $ (708,742) |

4. Income Taxes

In February 1992, the Financial Accounting Standards board (FASB) issued Statement No. 109, "Accounting for Income Taxes" (SFAS 109) which will supersede SFAS 96. This statement modifies the liability method currently used by the Company for computing deferred income taxes and will allow for recognition of net operating loss and tax credit carryforwards prior to their utilization. Adoption of SFAS 109 is required by January 1, 1993. The Company is reviewing the impact and implementation approach to this statement but does not expect that it will have a material effect on the Company's financial position.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**RESULTS OF OPERATIONS:**

**Revenue:** For the three month period ended March 31, 1992, revenue increased 67.7% to $2,844,054 from $1,695,602 in the comparable period in 1991. Anchors and related surgical instruments contributed $1,124,928 or 98.0% of this increase which is reflective of continued growth in sales of the GII Anchor, which did not begin shipping in volume until the latter part of the first quarter of 1991 and the success of the Snap-Pak, pre-sterile product, introduced in the second half of 1991.

**Gross Profit:** Gross profit increased 77.6% to $2,144,584 for the three months ended March 31, 1992 from $1,207,732 in the comparable period in 1991 As a percentage of revenue, gross profit increased to 75.4% from 71.2% in the comparable period in 1991. This increase in profitability resulted from increased sales of the GII Anchor products, including the GII Snap-Pak, which have a higher average selling price and gross margin than the GI Anchor products. In addition, sales through agents as a percentage of total Anchor revenue increased in the first quarter of 1992 as compared to the first quarter of 1991 resulting in higher average selling prices and therefore, higher margins for the Company's Anchor products.

**Selling, General and Administrative:** Selling, general and administrative expenses increased 86.3% to $1,368,506 for the quarter ended March 31, 1992 from $734,725 for the comparable period in 1991. The increase in absolute dollars is primarily the result of increased salaries and benefits (34.8%) due to employee growth and sales commissions (29.4%) resulting from increased sales. The remainder of the increase is attributable to increases in items such as travel, promotion and trade shows in order to promote the Anchor and generate sales as well as insurance, legal fees, and investor relations which are the result of the Company's increased sales volume and public corporation status.

**Research and Development:** Research and development expenses increased 83.5% to $176,523 for the quarter ended March 31, 1992 compared to $96,219 for the comparable period in 1991. The increase is attributable to an increase in payroll and benefits due to employee growth, recruiting and relocation costs

associated with the hiring of the Vice President of Product and Business Development, as well as increases in costs associated with product development.

**Interest Income:** The increase in interest income for the quarter ended March 31, 1992 over the comparable quarter in 1991 is the result of interest income earned from the investment of the net proceeds received from the Company's sales of securities in January 1991, the Company's public offering in October 1991, and the positive cash flows generated by the Company throughout 1991 and the first quarter of 1992.

**Income Taxes:** The effective income tax rate of 8.3% for the first quarter of 1991 was significantly lower than statutory rates due to the utilization of federal tax loss carryforwards. Minimal federal tax loss carryforwards remained available in the first quarter of 1992 resulting in an effective income tax rate for the quarter of 32%.

**Liquidity and Capital Resources:** The Company had cash, cash equivalents and investments in marketable securities totalling $17,842,737 at March 31, 1992. The Company's cash position reflects the net proceeds received by the Company from its sale of securities in January 1991, its initial public offering in October 1991, and the positive cash flows generated by the Company throughout 1991. The Company believes that the proceeds from this offering and the cash generated from operations are sufficient to meet continuing operating requirements and provide for future growth.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

11 Statement regarding the computation of earnings per share

b) Reports on Form 8-K
None for the quarter ended March 31, 1992.

## SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MITEK SURGICAL PRODUCTS, INC.

Date: May 13, 1992

By: _____
Kenneth W. Anstey
President and Chief Executive Officer

Date: May 13, 1992

By: _____
Henry Barber
Controller, Treasurer and Secretary
(Principal Financial and Accounting Officer)



Page 11

## INDEX TO EXHIBITS


| Exhibit Number | Exhibit | Page |
|---|---|---|
| 11 | Statement regarding the computation of earnings per share | 13 |

MITEK SURGICAL PRODUCTS, INC.

**Statement regarding the computation of earnings per share**

Exhibit 11

| | For the three months ended March 31, | |
|---|---|---|
| | 1992 | 1991 |
| **Calculation of earnings per share:** | | |
| **Net income** | $ 564,719 | $ 352,854 |
| **Weighted average common shares outstanding** | 4,140,109 | 2,962,386 |
| **Incremental common stock equivalents from stock option plan** | 375,511 | 378,346 |
| | 4,515,620 | 3,340,732 |
| **Net income per share** | $ 0.13 | $ 0.11 |